

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 IO-10 ISO-00 COME-00 LAB-04 AGR-05

CIAE-00 INR-07 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 L-03 SS-15 NSC-05 /078 W

----- 069268

P R 251500Z JUL 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 5406

INFO USMISSION GENEVA

C O N F I D E N T I A L CAIRO 7299

GENEVA FOR PHELAN

E.O. 11652: GDS

TAGS: ETRD EG

SUBJECT: TEXTILE BILATERAL AGREEMENT

REF: CAIRO 6961; STATE 170437

1. POL/ECON COUNSELOR MET WITH HAMD NASSEF AND ISMAIL KAMEL OF MINTRADE JULY 24 TO OBTAIN CLEARER PICTURE AS TO WHAT IS TROUBLING EGYPTIANS WITH REGARD TO COTTON TEXTILE BILATERAL AGREEMENT. UP TO THIS POINT EGYPTIANS HAD ONLY SPOKEN IN GENERALITIES, INDICATING THEY WISHED TO CONFER AMONG THEMSELVES BEFORE RAISING MATTER WITH US.

2. AS WE REVIEWED DRAFT NOTE A NUMBER OF MATTERS EMERGED - SOME SIMPLY OUTGROWTHS OF LACK OF FAMILIARITY ON PART OF EGYPTIANS WITH ENGLISH LANGUAGE AND ITS NUANCES. EXPLANATIONS FOR LATTER SITUATIONS WERE GIVEN ON THE SPOT. HOWEVER, SOME POINTS REQUIRE FURTHER CLARIFICATION.

3. ON PAGE 1, LINE 5 OF DRAFT NOTE EGYPTIANS WANT TO BE CERTAIN AS TO WHAT IS MEANT BY "COTTON TEXTILES AND TEXTILE PRODUCTS." WE ASSURED THEM THAT ONLY COTTON WAS MEANT. EGYPTIANS WOULD FEEL BETTER, HOWEVER, IF WORD "COTTON" COULD BE INSERTED BEFORE "TEXTILE PRODUCTS" TO MAKE MATTERS ABSOLUTELY CLEAR. THEY INDICATED ABOVE

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PHRASEOLOGY NOT USED IN MEMO OF UNDERSTANDING.

4. ON PAGE 1, PARA 2 IN DISCUSSING AGGREGATE LIMIT THERE IS NO REFERENCE TO COTTON TEXTILES. THEY WISH TO INSERT "COTTON TEXTILES AND COTTON TEXTILE PRODUCTS" AFTER THE WORDS "AGGREGATE LIMIT FOR".

5. ON PAGE 3 PARA 5 (D) THEY INDICATED THAT THIS ITEM DOES NOT REFLECT ANY OF THE PREVIOUS DISCUSSION. ORIGINALLY IF GOE WISHED TO INCREASE ITS EXPORT IN ANY CONSULTATION CATEGORY, THE US WAS SIMPLY TO PROVIDE A RESPONSE WITHIN 7 WORKING DAYS OF RECEIPT OF SUCH REQUEST THROUGH DIPLOMATIC CHANNELS. IF AN ANSWER WAS NOT PROVIDED WITHIN THIS SPECIFIED PERIOD, THIS WOULD BE CONSIDERED A FAVORABLE RESPONSE. THERE WAS NO INDICATION THAT EGYPT WOULD REQUEST CONSULTATIONS WITH THE USG. WE BELIEVE THAT THIS POINT CONCERNING CONSULTATIONS WAS EXPLAINED TO THE EGYPTIANS BY US NEGOTIATING TEAM WHEN THEY WERE HERE AND THAT IN EFFECT WHEN REQUEST IS MADE, THIS CONSTITUTES CONSULTATIONS. THIS EXPLANATION WAS AGAIN REPEATED TO EGYPTIANS. HOWEVER, EGYPTIANS EVIDENTLY ARE STILL UNEASY ABOUT THIS POINT. THEY WOULD BE MUCH HAPPIER WERE WE ABLE TO GO BACK TO LANGUAGE IN ITEM 5 OF MEMORANDUM OF UNDERSTANDING.

6. PAGE 5 PARA (6B) - EGYPTIANS EXPRESSED SOME CONCERN ABOUT TERMINOLOGY "MAY BE PERMITTED TO EXCEED THE AGGREGATE FOR SPECIFIC LIMITS" SAYING THAT MEMORANDUM OF UNDERSTANDING DID NOT USE SUCH LANGUAGE AND THAT THE WORDS "MAY BE" ARE LESS DEFINITIVE. IT WAS EXPLAINED TO THEM, HOWEVER, THAT THIS SHOULD REALLY PRESENT NO PROBLEM, SINCE WHAT WAS MEANT WAS THAT EGYPT WAS ALLOWED TO EXCEED AGGREGATE. EGYPTIANS REQUESTED, THEREFORE, WORDS "BE PERMITTED TO" BE DELETED FOR PURPOSES OF CLARITY AND THAT WE SIMPLY SAY "MAY EXCEED".

7. PAGE 6 PARA 6 (II). EGYPTIANS ARE NOT SURE AS TO WHAT THIS PARA MEANS, PARTICULARLY IN VIEW OF WHAT THEY CONSIDER TO BE CONTRADICTORY PROVISION IN PARA 4(B) ON PAGE 2. THEY ARE FURTHER CONFUSED BY STATEMENT IN DRAFT NOTE IN PARA 6 (C) WHICH SEEMS TO INDICATE THAT PARA 4 IS OVERRULED. WHAT EMERGES FROM THE DISCUSSION OF PARA 6 OF THE NOTE WITH THE EGYPTIANS IS GENERAL UNEASINESS OVER WHAT THEY BELIEVE TO BE SUBSTANTIAL CHANGES IN THE MEMORANDUM OF UNDERSTANDING. AGAIN, THEY REQUESTED THAT WE GO BACK TO MUCH SHORTER PROVISIONS IN MEMORANDUM OF UNDERSTANDING WHICH WAS OUTGROWTH OF MANY HOURS OF CONFIDENTIAL

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NEGOTIATIONS.

8. WITH REGARD TO ARTICLE 7 IN THE DRAFT NOTE, EGYPTIANS INDICATED THAT THIS IS NEW MATTER WHICH DID NOT APPEAR IN MEMORANDUM OF UNDERSTANDING. THEY BASICALLY POSE NO OBJECTION TO SPACING EXPORTS FROM EGYPT WITHIN EACH CATEGORY DURING AGREEMENT YEAR, BUT THEY MUST CONFESS THAT THE MACHINERY FOR DOING SO LEAVES A LOT

TO BE DESIRED. THEY HESITATE TO MAKE A COMMITMENT THEY CANNOT KEEP. (FYI: USAGE OF TERMINOLOGY SUCH "AS FEASIBLE" AFTER "EGYPT SHALL" LIKELY WOULD SATISFY EGYPTIANS).

9. PARA 8 OF DRAFT NOTE: THIS EGYPTIANS INDICATE IS A NEW ITEM WHICH, WHILE THEY ADMIT IS CONTAINED IN BILATERAL AGREEMENTS WITH OTHER COUNTRIES, DOES PRESENT A PROBLEM FOR THEM. GOE SIMPLY DOES NOT MAINTAIN ACCURATE MONTHLY STATISTICS AND TO DO SO WOULD PLACE A CONSIDERABLE BURDEN ON THE SYSTEM. THEY HAVE ASKED US WHETHER LANGUAGE IN THIS PARA COULD BE TEMPERED BY INCLUDING "AS POSSIBLE". OR "AS FEASIBLE". IN ANY EVENT THEY WILL TRY TO BE AS HELPFUL AS THEY POSSIBLY CAN IN PROVIDING STATISTICS.

10. PAGE 8 ITEM 16 - THIS IS ALSO A NEW ITEM. EGYPT IS NOT ASKING ANY ASSISTANCE FROM US IN CONTROLLING IMPORTS OF COTTON COVERED BY THE AGREEMENT. IF THE US CAN CONTROL IMPORTS WITHOUT GOE AGREEMENT, ARTICLE IS NOT NECESSARY. IF US CANNOT, THEN EGYPTIANS WOULD HAVE TO REFLECT OVER WHETHER INDEED UNDER CIRCUMSTANCES THEY WOULD WISH TO AGREE TO US EXERCISING SUCH CONTROL. (EVIDENTLY THERE IS A MATTER OF FACE INVOLVED IN THIS SITUATION).

11. NASSEF AND KAMIL INDICATED REPEATEDLY THAT EGYPTIANS DID NOT WANT TO BE TROUBLESOME, THAT THEY HAD RESOLVED SOME QUESTIONS THEY HAD ABOUT THE DRAFT NOTE AMONG THEMSELVES ALREADY AND THAT THEY WERE GRATEFUL FOR FORTHCOMING ATTITUDE OF USG. GOE FELT, HOWEVER, THAT IT NEEDS CLARIFICATION ON THE POINTS ABOVE AND AS SOON AS THEIR CONCERNS COULD BE SATISFIED, THEY WOULD MOVE FORWARD ON EXCHANGE OF NOTES.

12. COMMENT: EGYPTIANS ARE READY TO BE AS HELPFUL AS POSSIBLE. HOWEVER, MEMORANDUM OF UNDERSTANDING THEY INITIALLED WAS A 7 - POINT DOCUMENT AND THEY NOW HAVE RECEIVED A 16-POINT NOE WITH EXPANSIONS OF SOME PROVISIONS CONTAINED IN MEMORANDUM AS WELL AS CONFIDENTIAL

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A NUMBER OF NEW ITEMS. IMPORTANCE OF COTTON TEXTILE EXPORTS TO EGYPTIAN ECONOMY PLACES PRESSURE ON INDIVIDUAL GOE OFFICIALS WORKING ON THIS MATTER TO BE EXTRA CAUTIOUS. THIS WAS RECOGNIZED BY OUR TEAM WHICH CAME OUT TO CAIRO TO NEGOTIATE AGREEMENT. THEY DID A MAGNIFICENT JOB IN NIGHT-AND-DAY SESSIONS, BUILDING RESERVOIR OF GOODWILL WHICH NOW EXISTS. EGYPTIANS ENJOYED WORKING WITH OUR TEAM AND HAVE A SENSE OF PRIDE IN THE HARD FOUGHT OVER PRODUCT (MEMORANDUM OF UNDERSTANDING). IT IS IN THIS CONTEXT AND THAT OF THE LARGER POLITICAL PICTURE OF OUR RELATIONS WITH EGYPT THAT WE WOULD HOPE SUGGESTED EGYPTIAN CHANGES WILL BE VIEWED. EMBASSY HAS HANDLED THE MATTER IN LOW KEY AND IN FRIENDLY FASHION. WE WOULD APPRECIATE ANY ASSISTANCE DEPT CAN GIVE US IN BRINGING EXCHANGE OF NOTES TO A PROMPT AND SATISFACTORY CONCLUSION.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXTILES, TRADE AGREEMENTS  
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**Copy:** SINGLE  
**Draft Date:** 25 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Executive Order:** GS  
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**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 CAIRO 6961, 75 STATE 170437  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUN 2003 by ElyME>; APPROVED <03 NOV 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TEXTILE BILATERAL AGREEMENT  
**TAGS:** ETRD, EG, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006